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December 19, 2003

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VIA HAND DELIVERY

Hon. Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

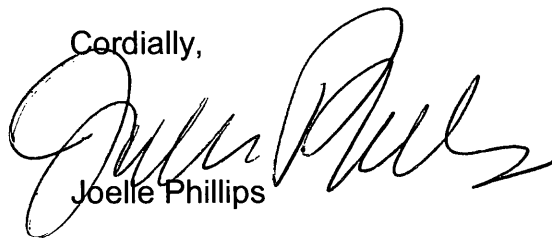
Re: *BellSouth® Wireless AnswersSM Bundle*
Docket No. 03-00554

Re: *Tariff to Establish Consumer Wireless Combined Bill Reward Offer*
Docket No. 03-00624

Dear Chairman Tate:

Enclosed are the original and fourteen copies of BellSouth's *Brief Addressing Federal Resale Requirements in the Context of Combined Offerings*. Copies of the enclosed are being provided to the Consumer Advocate Division.

Cordially,



Joelle Phillips

JJP:ch

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

In Re: *BellSouth® Wireless AnswersSM Bundle*
Docket No. 03-00554

Tariff to Establish Consumer Wireless Combined Bill Reward Offer
Docket No. 03-00624

**BELLSOUTH'S BRIEF ADDRESSING FEDERAL RESALE
REQUIREMENTS IN THE CONTEXT OF COMBINED OFFERINGS**

BellSouth Telecommunications, Inc. ("BellSouth") files this *Brief* as discussed during the Agenda Conference on December 15 and respectfully shows the Tennessee Regulatory Authority ("Authority" or "TRA") as follows:

I. **Overview of Wireless AnswersSM and Wireless Combined Bill Promotions**

A. **The Wireless Combined Bill Promotion**

This promotion provides for a discount on wireless service when BellSouth customers agree to combine their Cingular wireless service and their BellSouth local exchange service on the same bill. This promotion does not include a single price for a group of services.

B. **The Wireless AnswersSM Promotion**

The *Wireless AnswersSM* promotion provides a discount on wireless service when wireless service is purchased by a BellSouth customer who also subscribes to any of the following BellSouth local service plans:

BellSouth® Complete Choice® service, BellSouth® Complete Choice® Two-Line Plan package, BellSouth® Complete Choice® Three-Line Plan package, Area Plus® with BellSouth® Complete Choice® plan, Area Plus® Two-Line Plan package with BellSouth® Complete Choice®, Area Plus® Three-Line package with BellSouth®

Complete Choice[®], BellSouth[®] Preferred PackSM Plan and/or,
BellSouth[®] Preferred PackSM Plan for Voicemail

While this promotion has been called the *Wireless Answers*SM “bundle” for marketing purposes, this offer also does not include the provision of services at a single price.

II. The FCC’s Teachings on Bundles

In its *Bundling Order*¹, the FCC has explained bundling as “the offering of two or more products or services at a single price, typically less than the sum of the separate prices. This is different from ‘one-stop’ shopping arrangements in which consumers may purchase the components of a bundle price separately.” Order at ¶ 15. Accordingly, the FCC has recognized various types of “bundled” or “combined” offers, including those in which the price for the component parts of the bundle is not separately established and those in which a discount is not available except when *all* of the parts of the bundle are purchased together. Just as the TRA has noted the interest in, and rising prevalence of, combined offers, the FCC has recognized the competitive importance of all of these various types of bundled offers.

Specifically, the FCC has noted that:

While ‘one-stop’ shopping is convenient for consumers, we conclude that they can benefit even more from bundled packages offered at a price discount. We agree, in particular, with the commenters who point out that consumers benefit from bundling because it eliminates the need for carriers to separately provision, market, and bill services, and therefore reduces the transaction costs that carriers pass on to consumers. Indeed, we have recognized that bundling provides benefits that packages of separately priced services do not, finding in the case of two merged companies that by offering products “as a package at a price below that of the individual prices of the package’s components when sold separately, the merged firm would both lower costs and pass at least some of those cost savings on to consumers.” Bundling can further reduce costs for consumers by eliminating the time and

¹ *Bundling Report and Order*, released March 30, 2001 in CC Docket Nos. 96-91 and 98-183.

effort needed to find products and services in the market, negotiate appropriate purchase terms, and assemble the desired combinations. This is particularly important for enhanced services and CPE, package components that many consumers may perceive to be complex.

Order at ¶15.

The FCC has further explained the importance of bundling to customers in the context of enhanced services and CPE, agreeing with comments submitted by AT&T that allowing carriers to bundle such various products and services "will enable them to offer innovative packages of goods and services that will provide customers with efficiencies and pricing they demand." Order at ¶15, citing AT&T Comments. The FCC has thus concluded that customers benefit from these bundled and combined offers and that customers are demanding such offers.

Based on this FCC authority, it is clear that the FCC has concluded both that the ability to craft and fashion combined and bundled discount offers is part and parcel of a competitive marketplace, in which carriers distinguish themselves from one another through the development of unique offerings. The FCC has embraced the competitive process of fashioning these combined offerings, saying:

We conclude that allowing all carriers to bundle products and services is generally procompetitive and beneficial to consumers. Bundling encourages competition by giving carriers flexibility both to differentiate themselves from their competitors and to target segments of the consumer market with product offerings designed to meet the needs of individual customers.

Order at ¶14. The claims raised regarding BellSouth's combined and bundled offers must be viewed against the backdrop of the FCC's enthusiastic endorsement of bundling generally.

III. Resale Obligations Under Federal Law

Federal law is the sole source of law requiring the ILEC to make certain services available for resale at a wholesale discount. These resale requirements, contained in Sections 251 and 252 of the Federal Act, do not (as the CAD has wrongly suggested) broadly encompass any and all products and services, subject only to limited exceptions. Instead, the plain language of the statute establishes both the types of services required to be available for resale and the manner for establishing the resale discount. Consequently, resale questions require no application of Tennessee law – only the straightforward application of the succinct federal statutes quoted below.

A. What must be resold?

Section 251(c)(4)(A) provides:

Resale. – The duty –

(A) to offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers; ...

The statute is clear. It applies only to telecommunications services (not wireless services or enhanced services or CPE) and only to telecommunications services that the ILEC (not a separate wireless provider) provides.

B. How is the wholesale discount calculated?

Section 252(d)(3) provides:

(3) WHOLESALE PRICES FOR TELECOMMUNICATIONS SERVICES - For the purposes of section 251(c)(4), a state commission shall determine wholesale rates on the basis of retail rates charged to subscribers for the telecommunications service required, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier.

This statute is also clear. The wholesale discounted rate for resale of telecommunications services must be determined “on the basis of retail rates charged to subscribers.” Thus, to properly apply the statute, a state commission must start with a rate actually available to retail customers.

C. What does this mean in the context of bundles and combined offers?

Not every offer falls within the scope of the federal statutes quoted above. To correctly apply the resale statute, one must determine whether the services to be resold fit within the category established in 251 and then one must ensure that resale rates are based on retail prices charged to customers as required by 252. There can be many potential issues in applying resale in the context of combined or bundled offerings.

First, and perhaps most obvious, resale is not applicable to components of a combined offer that fall outside the scope of 251(c)(4) – that is discounted components that are not telecommunications services and/or not offered by the ILEC. Such services or products are just not covered by the statute, and, accordingly, are not required to be resold by the federal Act. Stated simply, discounts on unregulated components, or on components offered by other entities, are not covered by the federal resale requirement. They are the proverbial square peg, which cannot be fit into the federal Act’s round hole. Thus, wireless service, CPE, enhanced services, and any service offered by a carrier who isn’t an ILEC, are never subject to resale, because they fall outside the scope of 251(c)(4). In many cases such services also fall outside the jurisdiction of state commission, providing yet another reason that state commissions should reject requests that these commissions should venture beyond their jurisdiction to order resale of these items.

Next, there are instances in which a telecommunications service, which would be subject to resale if it were offered alone, cannot be properly discounted for resale because of the way it is being offered at retail.

When a discount is available only when customers also agree to purchase other items bundled with that service, the separate components of the single-price bundle cannot be pulled apart and resold on the basis of the bundle price either. Requiring resale of the telecommunications services included within the bundle at the discounted bundle price, when those individual services – at that lower price – are not available on a stand-alone basis to a real retail customer, would run afoul of the requirements in Section 252(d)(3) that wholesale discounts be based on retail rates charged to ILEC customers. This is because, in that instance, the ILEC's retail customers can only obtain the discounted bundle price by also agreeing to purchase the other items in the bundle. As a result, there is no stand-alone price available to a retail customer of the ILEC for the individual telecommunications service components of the bundle other than the ordinary tariffed price for those services.² Imposing a stand-alone resale obligation – at a price not actually available in the market on a stand-alone basis – would dramatically broaden the resale requirement beyond what the statute requires. Section 252(d) requires wholesale rates be based upon the retail price in the market. It does

² CLECs have argued in the past that resale should be required for cash-back offers at what some have referred to as the “effective price” of the telecommunications service, meaning the price of the service, less the cash-back discount. While BellSouth disagrees with this position, it is important to note that this argument is quite different from the current cases in which the CAD appears to suggest that BellSouth should tear apart a bundle and apply some prorated portion of the bundled price along with a wholesale discount in order to more deeply discount the services for resale. In the case of a cash-back offer, the price of the service and the benefit of the cash all are associated with one single service. That is not the case for a bundled offer. Section 252(d)(3) does not direct state commissions to engage in a fiction that service is offered at a discounted price when, in fact, the service is really only available at that price when bought in connection with other services.

not permit setting a resale rate based upon a price that is not actually available to the ILEC's end-users in the real marketplace.

IV. The *Wireless Answers*SM promotion and the *Wireless Combined Bill* promotion should be approved whether or not the Authority approves the *Sprint Safe & Sound* promotion.

As discussed above, neither of these wireless promotions is the type of single price bundle proposed by Sprint in its *Safe and Sound II* tariff. Rather, the promotions are not offered on the basis of a single price.³ Further distinguishing the *Wireless Answers* and *Combined Bill* promotions is the additional fact that both of these promotional offerings involve discounts provided on services that are not telecommunications services and that are not provided by BellSouth. For these reasons, both of these promotional programs are distinguishable from the *Sprint Safe & Sound* promotion.

In the *Wireless Answers*SM program, BellSouth's promotion provides a discount on a non-telecommunications service not provided by BellSouth. Specifically, subscribers to the promotion would be given a discount of \$2, \$5, or \$10 on their Cingular Wireless service. As discussed above, to be encompassed by the federal resale requirement of the Telecommunications Act, the item to be offered at resale must be a telecommunications service. In the instance of the *Wireless Answers*SM promotion, the discounted service is not a telecommunications service and it is not offered by BellSouth. No discount is being offered on the BellSouth telecommunications service as a result of this promotion. For this reason, the resale rule is simply inapplicable to this promotion.

³ Sprint's *Safe and Sound* tariff provides a bundled offering including a voice line, Caller ID, and a maintenance plan for CPE and for inside wiring.

Likewise, the Combined Bill promotion, which also provides a discount on Cingular Wireless Service when customers combine their wireless service on the same bill used for their local service from BellSouth. Again, because the discount, is provided only on a service that is not a telecommunications service and that is not offered by BellSouth, this promotion also falls outside the scope of the federal resale requirement.

These offerings simply fall beyond the clear scope of the resale statute. By arguing for resale in this context, the CAD is urging the TRA to extend the scope of the federal statute beyond the language crafted by Congress. It is improper to read additional requirements into the statute.

In support of this effort, the CAD improperly suggests that the total effect of the promotion creates the equivalent of a discount on the telecommunications service and that the "equivalent" should be subject to resale, as if the discounts were actually offered by BellSouth on regulated products provided by BellSouth. In reality, as opposed to theory, however, the discount being offered is not a fungible reward to be applied on either telecommunications services or on nontelecommunications services. Rather, in order for the customer to realize the benefit of the discount being offered, that customer must purchase an unregulated service from another provider and apply the discount to that unregulated service.

It is inappropriate to pretend that the discount on the nonregulated – in this instance, wireless – service constitutes a reduction in the rates of the ILEC-provided telecommunications services. It is also inappropriate to use that pretense to apply a statute to something beyond its clear terms. As discussed above, such a pretense

cannot form the starting point for calculating the price for resale of telecommunications services.

Specifically, the language in Section 252(d) of the Act clarifies that wholesale rates set by the TRA must be set on the rates offered at retail. It cannot be truly said that the telecommunications services in the bundle are offered at retail at a price reduced by the amount of the Cingular discount. Because that just isn't true, the TRA cannot properly base a wholesale resale price on that fiction.

V. Shared Funding of Discounts on Unregulated Services

The Combined Bill program involves a joint effort by Cingular and BellSouth. Both companies recognize the retentive benefit of combined billing. Because each company benefits, the companies have agreed to share the cost of the promotion, with BellSouth bearing two-thirds of the cost.

Such joint efforts are consistent with FCC orders permitting joint marketing between BellSouth and Cingular. Contrary to the suggestion made by the CAD, the shared funding of this discount is not an inappropriate "subsidy."

First of all, the term "subsidy" suggests a handout from one entity to prop up the other. In this case, there is no "handout", because each company obtains an actual benefit – just as it would from shared advertising efforts. Second, joint marketing between BellSouth and Cingular has been expressly permitted by the FCC.

Once again, the CAD suggests that the TRA should presume that every action is prohibited unless expressly permitted by statute or regulation. This just is not the case. Not every affiliate transaction is prohibited – rather the CAD must identify some law

prohibiting this joint effort between BellSouth and Cingular. As BellSouth has said in response to staff data requests, BellSouth properly accounts for this promotion.

VI. Policy Considerations and Application of the Resale Requirement

In addition to the legal considerations discussed above, there are sound policy reasons for the TRA to refrain from applying the resale requirement as urged by the Consumer Advocate Division.

A. There are already substantial opportunities for CLECs to resell promotions in Tennessee.

First, resale of combined or bundled offerings in the fashion argued by the Consumer Advocate is unnecessary. The telecommunications services offered in these combined promotions are currently available for resale at the TRA-ordered 16% discount off the tariff price. In addition, these services are also available at that same wholesale discount deducted from all the various promotions for such services that are currently available for resale.

The vast majority of promotions that BellSouth files are available for resale. In this year alone, BellSouth has filed, and the TRA has approved, **51** promotions that are all available for resale.⁴ The market demands discounted promotional offerings, and

⁴ Those promotions include: BST *Simple Solutions*, BST *Select*, *Centrex 2003*, *Data Jump Start*, *2003 Key*, *SBS Data Product Program*; BST *Business Rewards Plus*, BST *Business Winning Choice II*, *Welcoming Reward*, BST *Centrex Complete*, BST *Frame Relay*, BST *Megalink*, *Core Offer*, BST *PRI Promotion*, *Complete Video Solution*, BST *Select – Double Bonus*, BST *Centrex Build and Buy*, BST *Select Bonus – PRI*, *PRI Promotion*, *Full Speed Ahead – Frame Relay*, *Calling All Channels*, *Core Offer – COMPLETE CHOICE FOR BUSINESS* and *MemoryCall*, *Core Offer – COMPLETE CHOICE FOR BUSINESS Upgrade*, *Core Offer – ADLs and MemoryCall*, BST *Business Premium Rewards*, BST *Winning Choice Plus*, *Metro Ethernet (07/03 – 10/03)*, BST *Simple Savings*, BST *Business Perks*, BST *Frame Relay*, *1FB Upgrade to COMPLETE CHOICE FOR BUSINESS Offer*, *Additional Lines Offer*, BST *Centrex GAO Offer*, BST *Megalink Offer*, BST *Select Bonus – PRI*, BST *PRI Advantage Promotion*, *New BST COMPLETE CHOICE for Business Offer*, *Metro Ethernet (10/03 – 12/03)*, *Lines Sweetener Promotion*, BST *Business Winning Rewards*, *2003 Service Connection Waiver (01/03 – 12/03)*, *Complete Choice Upgrade*, *Complete Choice/Privacy Director*, *Service Connection Waiver (04/03 – 12/03)*, *Complete Choice Plus Voice Mail*, *Unlimited Reacquisition Bundle Offer*, BST *Value Answers Bundle with*

BellSouth will, no doubt, continue to offer them. Consequently, there are, and will continue to be, numerous opportunities for CLECs to resell promotional discounts.

Of course, these telecommunications services can also be offered by CLECs on the basis of UNEs, which provide them an even deeper discount.

The bottom line is simply this: CLECs have ample opportunities to resell BellSouth promotions. There is no need to apply the resale requirement to promotions to which it does not apply, given the wealth of opportunities to resell other promotions that do fall within the resale rules.

B. Expanding the application of resale rules is out of step with the region and will result in fewer discounts for Tennesseans.

The Consumer Advocate has offered no authority from any Public Service Commission elsewhere in the country interpreting the resale requirement in the fashion it advocates here. In fact, in BellSouth's nine-state region, no other Public Service Commission has required resale in this fashion.

Specifically, these combined offerings, as well as BellSouth's *Integrated Solutions* bundle has been in effect for months now throughout BellSouth's region. Not only has no Public Service Commission imposed the resale requirement sought by the Consumer Advocate, but no CLEC in any of those other eight states has even sought imposition of resale in that fashion with respect to these very same promotions. Consequently, if the TRA were to impose the resale requirement in the fashion argued by the Consumer Advocate, it would be creating a Tennessee-specific addition to the federal requirement, and by doing so, it would place itself out of sync with all of the BellSouth's other eight states. No doubt the result of such a unique requirement in

Complete Choice, Privacy Director and Long Distance, BST Preferred Pack Plan (\$5 Discount for 12 months), 1FR with 3 Features at No Charge for 12 Months, BST Complete Choice Discount

Tennessee would be that many discounts offered to BellSouth's customers outside of Tennessee would simply not be available in Tennessee. Simply managing a unique Tennessee-specific difference would create issues with offering these same discounts in Tennessee.

Tennessee customers should not miss out on region-wide offers just because Tennessee, and only Tennessee, concluded that the same federal statute applicable throughout the region should be applied differently in Tennessee.

C. **Robust competition in bundled or combined offers is good for Tennesseans, and Bellsouth should be a full participant in that competition.**

The FCC's 2001 *Order* on bundling was issued well before BellSouth had achieved 271 relief throughout its region. Yet even then, before BellSouth had demonstrated that its markets were open, the FCC still found that ILECs (not just CLECs) should be able to bundle CPE with local exchange service. The FCC found the risk of anticompetitive behavior, even then, to be low and outweighed by the consumer benefits of allowing such bundling. The FCC was also "particularly persuaded that bundling can promote the deployment of advanced telecommunications services." *Order* at ¶¶34 and 35. In short, the FCC has recognized that bundling is good for customers and that ILECs should fully participate in the competitive process of developing bundles to answer customer demands. ILEC participation provides additional market pressure on all providers to keep fashioning more and more attractive offers – and that market activity is precisely what produces great deals for customers.

In fact, BellSouth has developed many of its combined or bundled offerings in response to similar offers already being made by CLECs in the marketplace.

Specifically, for example, BellSouth's *Integrated Solutions* bundle, which combines voice and information services, directly competes with AT&T's *AT&T, Inc.* promotion, which is also made up of local voice and information services.⁵ Given that CLECs like AT&T are already actively engaged in fashioning their own combined and bundled offers, it is clear that resale beyond that required by the federal act in the context of these combined offers is not necessary for CLECs to compete with bundles in the marketplace.

CLECs should not be encouraged to object and delay BellSouth's combined offerings by raising flawed resale arguments. Tennessee customers suffer when CLECs are able to delay BellSouth in offering competitive responses to CLEC bundles. For example, in the context of BellSouth's *Integrated Solutions* bundle, BellSouth filed its tariff to introduce that promotion in August. While it has been available in eight other BellSouth states, AT&T and other CLECs have obtained an advantage in Tennessee to the extent that complaints relating to resale have prevented BellSouth from offering that same bundled offering in competition with CLEC offers like the *AT&T, Inc.* promotion. While that may be great for AT&T and other CLECs, it is bad for Tennessee consumers. CLECs should be incented to compete by offering great new products and discounts – not by raising resale concerns before state commissions – particularly when those CLECs have no history of reselling promotions. When that incentive is compromised by sidelining BellSouth, it is Tennessee customer who pay the price.

⁵ A description of the *AT&T, Inc.* offer, printed from the AT&T web site, is attached.

Of course, with respect to the *Wireless Answers* and Combined Bill promotions, it should be noted that only the CAD is pursuing resale. In fact, AT&T is the sole CLEC raising any issue on resale of bundled offering in Tennessee.⁶

CONCLUSION

The Telecommunications Act does not impose resale requirements on nontelecommunications services. It does not establish resale requirements for services offered by carriers other than ILECs. It does not establish any provision for basing wholesale rates on prices that ILECs do not offer to their customers in the marketplace.

Given these limitations in the scope of the resale provisions of the Telecommunications Act, the fact is that the Act simply does not impose a resale requirement in situations in which a single-price bundle includes services outside the scope of the Act or in situations in which a combined offering provides discounts on nontelecommunications services and services provided by a carrier other than BellSouth. The Consumer Advocate is asking the TRA to expand the scope of the Telecommunications Act to capture this new type of offering.

⁶ Notably, AT&T raised these concerns only in Tennessee and nowhere else in BellSouth's nine-state region. It is perplexing, to say the least, that AT&T would raise no concerns anywhere else – yet urge the TRA to delay a promotion (one already in effect in eight other states) in Tennessee due to these concerns.

Even here, AT&T's efforts have been half-hearted. AT&T intervened in Sprint's *Safe & Sound* case too late to brief these issues. AT&T also blatantly filed its request for a contested case on the BellSouth *Integrated Solutions* tariff well after the time required for such complaints under Rule 1220-1-2.02(4), which require such complaints to be filed seven days prior to the last TRA Conference before the **proposed** effective date of the tariff. The proposed effective date was September 26, 2003 – requiring petitions to be filed by September 15, 2003. Even if AT&T had mistakenly substituted the effective date based on the TRA's suspension of the tariff, its brief would still have been due on Monday November 17, not Thursday, November 20, when it was filed – it should be obvious that a complaint filed Thursday afternoon, before a Monday Conference at which the tariff will be considered is clearly too late. Nonetheless, when challenged, AT&T stridently maintained that the filing was timely, rather than conceding the error and asking for permission to file late.

Given all of this, the TRA would be well within its discretion if it simply disregarded AT&T's participation. At the very least, this late participation should provide the TRA with some insight into whether AT&T really believes in the strength of its position.

Broadening the scope of the resale requirement to include these new offerings is not only an incorrect application of the federal statute, it is also bad policy. Asking the TRA to spread the statute to capture more than Congress included is the equivalent of a plea for the TRA to adopt a policy of “when in doubt, regulate”. The alternative (and better) policy, of course, is to recognize that, where the Telecommunications Act does not impose requirements, the TRA should let competition work for Tennessee consumers.

There will, no doubt, always be voices to say that when something new arises, the TRA should return to old-style regulatory models. Motivated by resistance to change or by fear of reliance on a competitive market system, naysayers will always prefer regulation over the proven success of a competitive market. Before accepting the position of those who would prefer regulation over competition, the Authority should consider two important factors.

First, Congress, the General Assembly and the FCC have all spoken clearly regarding the preference for procompetitive policies that allow customers to benefit from a robust, competitive market for telecommunications services. Through the federal Telecommunications Act, the Tennessee Telecommunications Act, the General Assembly’s more recent enactment on CSAs, and, perhaps most importantly, the findings of the both the TRA and FCC with respect to BellSouth’s 271 cases, these federal and state legislators, along with the FCC, have each spoken with one voice, all clearly evidencing a preference for competition.

Second, it is important to recall that allowing the market to work need not be as intimidating as the Consumer Advocate suggests, because the TRA provides a constant

safety net to hear complaints when any actual harm can be shown as a result of any market practice.

The choice presented to the TRA, whether to limit regulation to that which is provided by the Telecommunications Act, or whether, instead, to apply additional requirements relating to resale, is a choice that goes to the heart of telecommunications policy in Tennessee. One path prefers more regulation and less competition, while the other prefers more competition and less regulation. BellSouth respectfully submits that Congress, the General Assembly and the FCC have given a clear preference as to that choice. The voices urging the mantra "when in doubt, regulate" are simply out of step.

For all these reasons, BellSouth urges the TRA to recognize the limitations of the resale requirement and to approve BellSouth's combined offerings, so that Tennessee customers can realize the same discounts available elsewhere in BellSouth's region.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

By: 

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Joelle J. Phillips

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615/214-6301

AT&T integrated network connection service



Innovative Network Access Solution for Voice, Data & IP Applications

Now more than ever, businesses depend on newer and better computer applications to conduct business both within and outside the company. New applications and extranet communities create technological challenges for customers building data networks to support the tremendous growth that comes with these changes. Users continue to search for ways to increase bandwidth without a comparable increase in cost. Voice and data convergence innovations promise to meet these challenges, creating new solutions for building integrated networks.

A key enabler to these new networks is access. Access represents the highest cost element in many networks and is often a constraint to freeing up additional bandwidth. Static integrated access is the most popular access arrangement today with nearly 50 percent of today's TIs handling both data and voice traffic. AT&T Integrated Network Connection Service represents the next step in the evolution to a single, unified, dynamic integrated network connection service, leveraging the power of emerging technologies and AT&T's networking expertise into an innovative access and networking solution.

Reap the Benefits

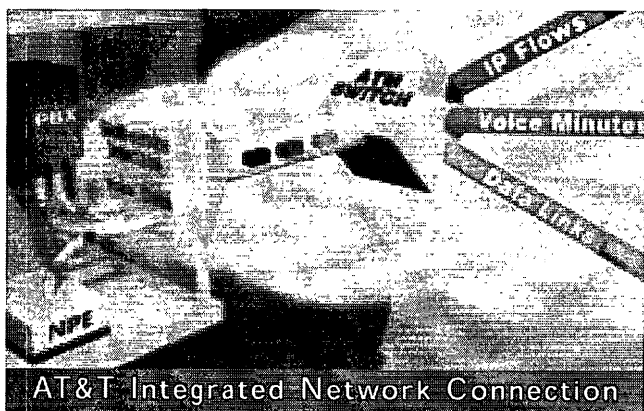
AT&T Integrated Network Connection Service enables you to enhance network performance, simplify operations and reduce communications costs. By packetizing voice, it is processed more efficiently through dynamically allocating the available access bandwidth between voice, data and IP. AT&T Integrated Network Connection Service frees up more bandwidth for your voice and data applications. AT&T Integrated Network Connection Service provides

- Reliable, multi-service interface
- Dynamic bandwidth utilization
- Investment protection

AT&T Integrated Network Connection Service replaces your multiple access arrangements with one integrated voice, data and IP service arrangement that gives you the flexibility to allocate bandwidth between voice, which receives priority, and data in real time, minimizing "last mile" access bottlenecks. AT&T Integrated Network Connection Service also uses proven ATM technology to support your networks today, while positioning you for the future.

Benefits

- Provides a convenient and cost-effective way to improve productivity
- Simplifies network operations, replacing multiple access arrangements with one integrated voice, data and IP service arrangement
- Allocates "bandwidth-on-demand" and minimizes "last mile" access bottlenecks
- Protects existing investments, eliminating the need for costly new premises equipment



Improve Performance

AT&T Integrated Network Connection Service enables you to make more efficient use of voice and data transmission, meeting both your performance and budget demands simultaneously. On average, nearly one-half of a typical voice conversation is silence. With AT&T Integrated Network Connection Service, voice transmissions are compressed and packetized, silence is suppressed and wasted bandwidth is eliminated. AT&T Integrated Network Connection Service more than doubles the amount of available bandwidth for data, giving you two times the voice on half the bandwidth.

Migrate with Confidence

AT&T Integrated Network Connection Service enables you to add traffic to your network at a low incremental cost, providing you with a cost-effective way to increase productivity. With AT&T Integrated Network Connection Service, AT&T owns, manages and monitors the necessary equipment, removing your risk of investing in the wrong technology. Since each of your locations can independently use AT&T Integrated Network Connection Service, you choose the timing and evolve at a pace that makes sense for your business. Using an AT&T-owned ATM network premises equipment on the customer premises, AT&T Integrated Network Connection Service initially supports 24 simultaneous voice calls and burstable T1.5 for data and IP traffic - all on a single physical facility¹. More traffic on existing lines means you can expect cost savings of between 10-to-20 percent.

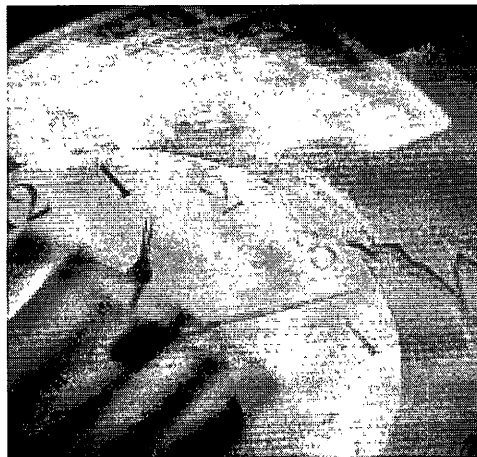
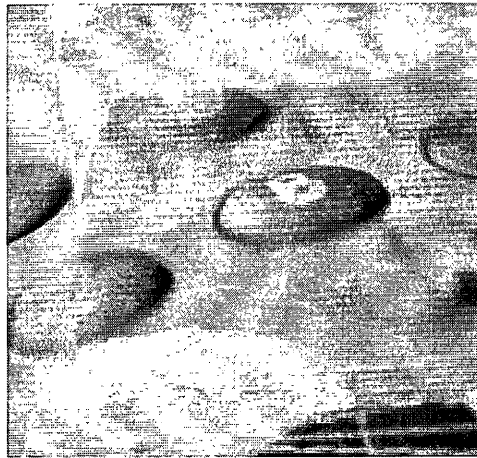
And, since AT&T Integrated Network Connection Service-equipped locations are fully compatible with your existing equipment and AT&T's existing voice, data and IP network services, you don't need to make costly investments in new equipment or make changes to your current services.

Expand Your Horizons

AT&T Integrated Network Connection Service enables your business to do more business, extending the service interface of AT&T's voice, data and internet protocol traffic to your remote site locations. With a single, "plug and play" interface, AT&T Integrated Network Connection Service automatically devotes bandwidth when and where it is needed, as the type of traffic and demands on the network fluctuate.

AT&T Integrated Network Connection Service allows you to add locations to your network as your needs evolve, while maintaining full connectivity to all other sites in your network.

For more information, contact your AT&T Account Representative or visit our Web site at www.ipservices.att.com/data



CERTIFICATE OF SERVICE

I hereby certify that on December 19, 2003, a copy of the foregoing document was served on the following, via the method indicated:

- ☐ Hand
- ☐ Mail
- ☐ Facsimile
- ☐ Overnight
- ☒ Electronic

Vance Broemel, Esquire
Office of Tennessee Attorney General
P. O. Box 20207
Nashville, Tennessee 37202
vbromel@state.tn.us

A handwritten signature in cursive script, appearing to read "Vance Broemel", is written over a horizontal line.